

Message Text

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TO AMEMBASSY PARIS
INFO AMEMBASSY TOKYO

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USOECD

E.O. 11652:N/A

TAGS: OECD, ECON

SUBJECT: EDRG REVIEW OF JAPAN

REF: A) PARIS 18200, TOKYO 9180

1. WE AGREE WITH COMMENTS MADE BY MISSION AND WOULD LIKE
TO INCLUDE ADDITIONAL POINTS.

2. THE SIZE OF THE PROJECTED JAPANESE CURRENT ACCOUNT
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SURPLUS IS A MATTER OF CONCERN AND PUZZLEMENT. WHILE AGREE-
ING WITH POINT (C) OF PARA 10 REFTEL A CONCERNING THE CON-
TINUED ADJUSTMENT OF THE YEN EXCHANGE RATE IN RESPONSE MAR-
KET FORCES, WE WONDER IF THE GOJ COULD COMMENT ON FACTORS
CONTRIBUTING TO THEIR UNUSUAL CURRENT ACCOUNT PERFORMANCE.
THEIR OWN PREDICTIONS WERE MUCH DIFFERENT FROM ACTUAL MOVE-
MENTS OF THAT ACCOUNT. NOR DO WE SEE THE CONVERGENCE OF FAC-

TORS THAT WILL PRODUCE THE PREDICTED TURN AROUND OF THEIR CURRENT ACCOUNT GIVEN OUR ESTIMATES OF THE STRENGTH OF THEIR EXPORTS AND CURRENCY, ETC. (REFTEL B).

3. WE BELIEVE THAT THE SECRETARIAT'S PREDICTIONS REGARDING THE FUTURE PERFORMANCE OF THE JAPANESE ECONOMY ARE SOMEWHAT PESSIMISTIC. FOR EXAMPLE, GIVEN THE FIRST QUARTER 10 PERCENT ANNUAL GROWTH RATE IN REAL GNP, WE BELIEVE THEIR

ESTIMATES OF 5.5 PERCENT (PARA 3) FOR 1977 TO BE LOW. FURTHER, THE FIRST HALF OF 1978 MAY NOT SEE THE DECLINE PREDICTED IF JAPANESE EXPORTS REMAIN STRONG AS WE BELIEVE THEY MAY. THE GOVERNMENT HAS COMMITTED ITSELF TO FURTHER STIMULUS IF THE 6.7 PERCENT GROWTH TARGET IS NOT REACHED AND WE DO NOT DOUBT THIS PLEDGE WILL BE CARRIED OUT.

4. SOME OF THE SECRETARIAT'S ASSUMPTIONS IN PARA 5 ARE DUBIOUS. EXCLUSION OF THE POSSIBILITY OF A SUPPLEMENTARY BUDGET IS VERY QUESTIONABLE AS THE GOJ HAS SUBMITTED SUCH SUPPLEMENTARY BUDGETS FOR THE PAST SEVERAL YEARS. THE TEMPORARY NATURE OF FISCAL STIMULUS IS NOT OBVIOUS GIVEN THE GOVERNMENT'S PLEDGE MENTIONED ABOVE.

5. WE CONCUR STRONGLY WITH PRINCIPAL CONCLUSIONS OUTLINED A, B, C AND D, PARA 10.

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